

CRAVATH, SWAIN & MOORE

5375/B

RECORDATION NO. _____ FILED 1425

ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005 NOV 12 1987 - 12 40 PM

TELEPHONE
212 428-1000

INTERSTATE COMMERCE COMMISSION

2 HONEY LANE, CHEAPSIDE
LONDON EC2V 8BT, ENGLAND
TELEPHONE: 1-606-1421
RAPIDFAX/INFOTEC:
1-606-1425

ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
JOHN F. HUNT
GEORGE J. GILLESPIE, III
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A.O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
HERBERT L. CAMP
ALLEN FINKELSON

RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
JOSEPH A. MULLINS
MAX R. SHULMAN
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERBOWER
EVAN R. CHESLER
PATRICIA GEOGHEGAN
D. COLLIER KIRKHAM
MICHAEL L. SCHLER
DANIEL P. GUNDEL
KRIS F. HEINZELMAN
B. ROBBINS KIESSLING
ROGER D. TURNER
PHILIP A. ELLSTON
RORY O. LEBSON
NEIL P. WESTREICH
FRANCIS P. BARRON
RICHARD K. RYAN
WILLIAM H. BARRERS, JR.
JAMES D. COOPER
STEPHEN L. GORDON
ROBERT A. RYNDKER
DANIEL L. MOSLEY
GREGORY M. BRAW
PETER W. WILSON

WRITER'S DIRECT DIAL NUMBER

5375/C

7-316A038

NOV 12 1987 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

ICC Washington, D. C.

1 5375/A

RECORDATION NO. _____ FILED 1425

NOV 12 1987 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

November 11, 1987

1 5375

RECORDATION NO. _____ FILED 1425

NOV 12 1987 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

Floating Rate Secured Notes
Due February 1, 1992

NOV 12 1987 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

Dear Ms. McGee:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Northwestern Oklahoma Railroad Company, for filing and recordation counterparts of the following documents:

1. Security Agreement dated as of October 26, 1987, between William J. Condren, as Owner, and Citibank, N.A., as Secured Party.

2.(a) Master Agreement dated as of September 1, 1987, among Weyerhaeuser Canada Ltd., as WeyCan, Weyerhaeuser Company, as Guarantor and William J. Condren, as Lessor.

(b) Assignment of Master Agreement and Agreement dated as of October 26, 1987, by and between William J. Condren, as Owner, and Citibank, N.A., as Assignee.

3.(a) Lease of Railroad Agreement dated as of September 1, 1987, between William J. Condren, as Lessor, and Northwestern Oklahoma Railroad Co., as Lessee.

THE FOLLOWING IS A LIST

NOV 12 12 33 PM '87

THE OFFICE OF
THE SECRETARY

Handwritten signature: W. J. Condren

(b) Assignment of Lease and Agreement dated as of October 26, 1987, by and between William J. Condren, as Owner, and Citibank, N.A., as Assignee.

The names and addresses of the parties to the aforementioned agreements are as follows:

1. Owner-Lessor

William J. Condren
450 Park Avenue
New York, New York 10022

2. Secured Party - Assignee

Citibank, N.A.
153 East 53rd Street
New York, N.Y. 10043

3. WeyCan

Weyerhaeuser Canada Ltd.
Mission Flats Road
Kamloops, British Columbia V2C 5M7
CANADA

4. Guarantor

Weyerhaeuser Company
Tacoma, WA 98447

5. Lessee

Northwestern Oklahoma
Railroad Company
125 East Lake Street
Bloomington, Illinois 60108

Please file and record the documents referred to in this letter and index them under the names of Owner-Lessor, Secured Party-Assignee, WeyCan, Guarantor and Lessee.

The Cars covered by the Security Agreement and the Lease are listed in Exhibit A attached hereto.

Enclosed is our check for \$30 for the required recordation fee. Please accept for recordation one counter-part of each of the enclosed agreements, stamp the remaining

counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
as Agent for
Northwestern Oklahoma
Railroad Company

Noreta R. McGee, Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423

encls.

EXHIBIT A

Schedule A
to
Security Agreement

EQUIPMENT SCHEDULE

<u>Number of Cars</u>	<u>Description</u>	<u>AAR Designation</u>	<u>Car Markings (inclusive)</u>
100	73-foot 100-ton Center Beam Thrall Flatcars	FBS	NOKL 8200-8299

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

11/13/87

Laurance V. Goodrich
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/12/87 at 12:40pm, and assigned recordation number(s). 15375, 15375-A, 15375-B, 15375-C & 15375-D

Sincerely yours,

Norita R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

1 5375

RECORDATION NO. Filed 1425

NOV 12 1987 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref: 4308-019]

SECURITY AGREEMENT

Dated as of October 26, 1987

Between

WILLIAM J. CONDREN,

as Borrower,

and

CITIBANK, N.A.,

Secured Party.

SECURITY AGREEMENT dated as of October 26, 1987, between WILLIAM J. CONDREN ("Borrower") and CITIBANK, N.A. ("Secured Party").

WITNESSETH:

The Borrower proposes to acquire the units of equipment described in Schedule A hereto ("Units").

Pursuant to a Loan Agreement dated as of the date hereof ("Loan Agreement") between the Borrower and the Secured Party, the Secured Party will finance a portion of the cost of the Units delivered to the Borrower by making a loan to the Borrower evidenced by the Borrower's Floating Rate Secured Notes ("Notes"). Pursuant to a Loan, Security and Consolidation Agreement dated as of July 1, 1987, between the Borrower and the Secured Party ("Consolidation Agreement"), the Secured Party made a loan to the Borrower, which loan is hereinafter called the "Consolidation Obligation", and together with the Notes are collectively called the "Obligations".

As security for the payment of the Obligations, the Borrower has entered into an Assignment of Lease and Agreement dated as of the date hereof ("Lease Assignment") with the Secured Party assigning to the Secured Party certain of the Borrower's rights in and to the Lease of Railroad Equipment dated as of September 1, 1987 ("Lease") between the Borrower and Northwestern Oklahoma Railroad Co. ("Lessee").

The Lessee has consented to the Lease Assignment pursuant to a Consent and Agreement ("Lessee Consent") dated as of the date hereof.

As further security for the payment of the Obligations, the Borrower has entered into an Assignment of Master Agreement and Agreement dated as of the date hereof ("Master Agreement Assignment") with the Secured Party assigning to the Secured Party certain of the Borrower's rights in and to the Master Agreement dated as of September 1, 1987 ("Master Agreement") among the Borrower, Weyerhaeuser Canada Ltd. ("WeyCan") and Weyerhaeuser Company ("Guarantor").

WeyCan consented to the Master Agreement Assignment pursuant to a Consent and Agreement ("WeyCan Consent") dated as of the date hereof.

As further security for the Obligations, the Borrower is granting a security interest hereunder to the Secured Party 85% of the Borrower's partnership interests (constituting 68.5% thereof) in the Elk Grove Air Equipment Company, a New York limited partnership, pursuant to an Agreement of Limited Partnership dated as of November 15, 1967 ("Elk Grove Partnership Interests").

The Borrower also desires to convey, warrant, mortgage, assign, pledge, deposit and grant the Secured Party a security interest in the Units and other collateral to secure payment of the Obligations.

NOW, THEREFORE, in consideration of the premises and agreements hereinafter contained and of the purchases and acceptances of the Notes and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

I. GRANTING CLAUSE

1.1. Granting Clause. As security for the due and punctual payment of the principal of and interest on the Obligations and the performance and observance by Borrower of his covenants for the benefit of the Secured Party contained herein and in the Loan Agreement and the Consolidation Agreement, the Borrower does hereby convey, warrant, mortgage, assign, pledge, deposit and grant a security interest in and confirm unto the Secured Party, and to its successors and assigns, the following described property (herein, together with the rights assigned to the Secured Party under the Lease Assignment and the Master Agreement Assignment, being collectively called "Collateral"):

(a) all the Borrower's estate, right, title and interest in and to the Units and all proceeds thereof (including, without limitation, all "Payments" as defined in the Lease Assignment and all "Payments" as defined in the Master Agreement Assignment);

(b) all the Borrower's estate, right, title and interest in and to all accessories, equipment, parts, appurtenances and other items of tangible personal

property of any kind (and all proceeds thereof) acquired by the Borrower in connection with its acquisition of the Units, whether acquired by the Borrower at the time of its acquisition of the Units, or thereafter acquired pursuant to the provisions of the Lease, and whether located on the Units or elsewhere, including all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Units or any parts thereof, together with all rents, issues, income and profits therefrom; and

(c) 85% of the Borrower's estate, right, title and interest in and to the Elk Grove Partnership Interests and all proceeds thereof.

All rights granted to the Secured Party hereunder shall be in addition to and shall in no way be construed to limit the rights of the Secured Party under the Lease Assignment or the Master Agreement Assignment.

1.2. Parity of Obligations. Each and every one of the Obligations shall have the same lien, and the principal of and interest on every one of the Obligations shall, subject to the terms hereof, be equally and proportionately secured hereby, as if it had been made, executed, delivered, sold and negotiated simultaneously with the execution and delivery hereof.

1.3. Release of Security Interests. The Secured Party shall have and hold the Collateral forever; provided that if and when all the Obligations shall have become due and payable (whether by lapse of time or by acceleration or otherwise), the Borrower shall pay or cause to be paid the full amount due for principal and interest and if the Borrower shall also pay or cause to be paid all other sums payable to the Secured Party pursuant hereto, pursuant to the Loan Agreement and pursuant to the Consolidation Agreement and the Borrower shall observe, keep and perform all his covenants for the benefit of the Secured Party contained herein and in the Loan Agreement and the Consolidation Agreement, then and in that case and upon the written request of the Borrower this Security Agreement and all agreements herein contained and the estate hereby granted and conveyed shall cease and terminate.

II. COVENANTS AND AGREEMENTS BY THE OWNER

2.1. Discharge of Liens. The Borrower will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Borrower which, if unpaid, might become a lien, charge or security interest on or with respect to any Unit, or the Secured Party's interest in the Lease and the payments to be made thereunder or the Secured Party's interest in the Master Agreement and the payments to be made thereunder or the Secured Party's interest in the Elk Grove Partnership Interests, but the Borrower shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not adversely affect the security interest of the Secured Party in the Collateral or otherwise under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

2.2. Further Assurances. The Borrower will, from time to time, do and perform any act and will execute, acknowledge, deliver and file, register and record any and all further instruments reasonably requested by the Secured Party for the purpose of the proper protection of the security interest of the Secured Party in the Collateral.

2.3. Notice of Default. The Borrower further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an event of default under this Agreement or an Event of Default under the Lease or an Event of Default under the Master Agreement of which the Borrower has actual knowledge.

III. POSSESSION, USE AND RELEASE OF COLLATERAL

3.1. Possession of Collateral. So long as no event of default shall have occurred and be continuing hereunder, the Borrower shall be entitled to the possession and use of the Units and to permit the use of the Units as provided in the Lease and the Master Agreement.

3.2. Release of Units. So long as no Event of Default or an event or condition which, with the passage of time or the giving of notice or both, would constitute such an Event of Default under the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Unit with respect to which a Casualty Occurrence shall have occurred upon receipt from the Lessee of written notice designating the Unit in respect of which the Lease will terminate and the receipt by the Secured Party's portion of the Casualty Value (as described in Section 4.1(b) hereof) for such Unit.

IV. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY

4.1. Application of Rents and Other Payments. Pursuant to the Lease Assignment and the Master Agreement Assignment, the Borrower has assigned to the Secured Party for security purposes rentals, profits, and other sums due and to become due under the Lease and the Master Agreement constituting part of the Collateral hereunder. So long as no event of default as defined in Section 5.1 hereof or any event which, upon notice or lapse of time or both, would constitute such an event of default (collectively "Default") has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of monthly rental pursuant to Paragraph 2 of the Lease and which constitute payment under Article 3 of the Master Agreement ("Available Monthly Rental") shall be applied, first, to the payment of the principal and interest (and in each case first to interest and then to principal) on the Notes to the extent of interest and principal then due under the terms of the Notes, second, to the payment of the principal and interest (and in each case first to interest and then to principal) on the Consolidation Obligation to the extent of interest and principal then due under the terms of the Consolidation Obligation, third, to the Borrower or his order.

(b) Payments of Casualty Value (including all amounts of insurance or recoveries or condemnation or sale proceeds, if any, relating to a Casualty Occurrence with respect to such Unit) from time to time received by the Secured Party in respect of any Unit

pursuant to the Lease shall be applied by the Secured Party as follows:

(i) first, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on the Notes;

(ii) second, an amount equal to the "Indebtedness" in respect of such Unit shall be applied to the prepayment of the Notes;

(iii) third, to the payment of the principal and interest (and in the case first to interest and then to principal) on the Consolidation Obligation to the extent of interest and principal then due under the terms of the Consolidation Obligation; and

(iv) fourth, so long as no Default has occurred and is continuing, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be promptly released to or upon the order of the Borrower.

For purposes of this Section 4.1(b), the "Indebtedness" in respect of any Unit shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the purchase price (as specified in the Builder's invoice) of such Unit and the denominator of which is the aggregate purchase price of all Units then subject to the Lease (including the Unit which is the subject of the Casualty Occurrence) times (B) the aggregate unpaid principal amount of the Notes outstanding immediately prior to the prepayment provided for in this § 4.1(b).

(c) So long as no Default has occurred and is continuing, any proceeds of insurance received by the Secured Party with respect to damage to any Unit will be paid over to the Borrower to be applied by it as provided in the Lease.

4.2. Default. If a Default has occurred and is continuing, all amounts received by the Secured Party referred to in Section 4.1 hereof shall be applied in the

manner provided for in Article V in respect of proceeds of the Collateral.

4.3. Indemnity Payments Received by Secured Party. If any indemnity payments for the benefit of the Borrower are received by the Secured Party from the Lessee pursuant to the Lease, so long as no Default has occurred and is continuing the Secured Party shall pay over such payments to the Borrower.

V. EVENTS OF DEFAULT AND REMEDIES

5.1. Events of Default. If any one or more of the following events of default shall occur and be continuing (each an "event of default"):

(a) if the Borrower shall default in the payment of any installment of principal or interest on any of the Notes when the same shall become due and payable, whether at maturity or at a date fixed for payment or prepayment or by acceleration or otherwise, and such default shall continue for a period of five days after notice from the Secured Party; or

(b) if any representation or warranty made by or on behalf of the Borrower herein, in this Agreement, the Loan Agreement, the Lease, the Master Agreement or the Aircraft Security Agreement (as defined in the Loan Agreement) or any certificate delivered by him in connection with the transactions contemplated thereby shall prove to have been false or incorrect in any material respect on the date as of which made; or

(c) if the Borrower shall default in the performance of or compliance with any other covenant, condition or term contained in this Agreement, the Loan Agreement, the Lease, the Lease Assignment, the Master Agreement, the Master Agreement Assignment or the Aircraft Security Agreement and such default shall continue for 30 days after the Secured Party shall have demanded in writing performance thereof; or

(d) the Borrower shall admit in writing his inability to pay his debts, or shall make a general assignment for the benefit of creditors; or

(e) any case or other proceeding shall be commenced by or against the Borrower seeking an order for

relief or to adjudicate him a bankruptcy or insolvent, or seeking reorganization, arrangement, adjustment, or composition of him or of his debts under any law, domestic or foreign, relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking appointment of a receiver, trustee, or other similar official for him or for any substantial part of his property; or

(f) a default under any Loan Document (as defined in the Consolidation Agreement) shall have occurred;

(g) a final judgment or judgments for the payment of money, aggregating in excess of \$500,000, shall be rendered against the Borrower and remain unpaid or any suit or other action shall be instituted against the Borrower seeking an unspecified amount of damages or damages in excess of \$500,000; or

(h) a material adverse change in the financial and/or business condition of the Borrower shall occur or have occurred; or

(i) a default by any lessee or guarantor occurs and continues beyond any applicable grace period under any of the Aircraft Leases or Flatcar Leases (each as defined in the Consolidation Agreement);

then in every such case the Secured Party may take any one or more of the following actions:

(i) the Secured Party may by notice in writing to the Borrower declare ("Declaration of Default") the entire unpaid principal balance of all the Obligations then outstanding (if not then due and payable), together with all accrued and unpaid interest thereon, to be due and payable immediately, and upon any such declaration such principal balance of the Obligations together with said accrued and unpaid interest shall become and be immediately due and payable, anything contained in the Obligations or in the Consolidation Agreement or the Loan Agreement to the contrary notwithstanding; or

(ii) the Secured Party may, subject to Section 12.1 of the Master Agreement,

(1) terminate the Lease and/or terminate the Master Agreement; or

(2) subject to compliance with any applicable mandatory legal requirements, take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Borrower, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same, pursuant to the Master Agreement, the Use Agreement or otherwise, until sold; or

(3) sell, to the extent permitted by law, all and singular the Collateral, and all estate, right, title and interest, claim and demand therein, and right of redemption thereof, at one or more sales, as an entirety or otherwise, and at such time and place and upon such terms as the Secured Party may fix and specify in the notice of sale to be given to the Borrower at least 10 days prior to the date of such sale, or as may be required by law; or

(4) institute proceedings for the complete or partial foreclosure of this Security Agreement under the provisions of the laws of the jurisdiction or jurisdictions in which the Collateral or any part thereof is located, or any other applicable provision of law; or

(5) take any action which is appropriate to enforce its rights under any instrument constituting Collateral, to the extent permitted thereby; or

(6) take all other steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law (for the specific performance of any covenant, condition or agreement in the Notes, the Loan Agreement, the Lease, the Lease Assignment, the Master Agreement, the Master Agreement Assignment the Consolidation Obligation, the Consolidation Agreement or in this Security Agreement contained, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as the Secured Party shall deem appropriate for the protection and enforcement of its rights hereunder or thereunder;

provided, however, that the Secured Party may not take any action under this paragraph (ii) (other than pursuant to item (6) thereof) unless the Secured Party shall have given a Declaration of Default and the Borrower shall have not purchased all the Notes from the Secured Party, at a purchase price equal to the entire unpaid balance of all the Notes then outstanding plus all accrued and unpaid interest thereon to the date of payment, within 15 days of such Declaration of Default; and upon receipt of such payment by the Secured Party, the Borrower shall succeed to all the right, title and interest of the Secured Party in the Notes; provided, further, however, that the Secured Party may not take any action under the preceeding paragraph (i) or this paragraph (ii) (other than pursuant to item (6) thereof) in the case of an event of default under clause (a) of this § 5.1 in respect of a regular monthly payment of principal, unless there shall have occurred such an event of default for three consecutive months or for four months of such uncured events of default.

The Secured Party may conduct any number of sales from time to time. The power of sale shall not be exhausted by any one or more such sales as to any part of the Collateral remaining unsold, but shall continue unimpaired until all of the Collateral shall have been sold or the Obligations and all indebtedness of the Borrower hereunder and under the Loan Agreement and the Consolidation Agreement shall have been paid.

5.2. Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any event of default shall exhaust or impair any such right or power or prevent its exercise during the continuance of such event of default. No waiver by the Secured Party of any such event of default shall extend to or be taken to affect any subsequent event of default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guarantee for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

5.3. Waiver by Borrower. To the extent permitted by law, the Borrower covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.4. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Borrower in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Borrower, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Borrower, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease or WeyCan under the Master Agreement).

5.5. Application of Funds. The proceeds of any sale made under or by virtue of this Article V, together with any other sums which then may be held by the Secured Party under this Security Agreement as part of the Collateral or the proceeds thereof, whether under the provisions of this Article V or otherwise, shall be applied as follows:

FIRST: To the payment of the costs and expenses of such sale, including the reasonable fees and expenses of the agents and counsel for the Secured Party, and of any judicial proceeding wherein the same may be made, and of all expenses, liabilities and advances made or

incurred by the Secured Party under this Security Agreement or the Lease Assignment, or the Master Agreement Assignment, together with interest at the Floating Rate (as defined in the Notes) per annum on all advances made by the Secured Party, and all taxes or assessments, except any taxes, assessments or other charges subject to which the Collateral shall have been sold.

SECOND: To the payment of the whole amount then due, owing or unpaid upon the Notes for principal and interest and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon the Notes, then first to interest and then to principal.

THIRD: To the payment of any other sums required to be paid by the Borrower pursuant to any provision of this Security Agreement, the Lease Assignment, the Loan Agreement, the Notes, the Master Agreement or the Master Agreement Assignment.

FOURTH: To the payment of the whole amount then due, owing or unpaid upon the Consolidation Obligation for principal and interest and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon the Consolidation Obligation, then first to interest and then to principal.

FIFTH: To the payment of any other sums required to be paid by the Borrower pursuant to any provision of the Consolidation Agreement.

SIXTH: To the payment of the surplus, if any, to the Borrower.

5.6. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Borrower and the Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

VI. REGISTRATION; SUBSTITUTION OF NOTES

6.1. Registration of Notes. The Borrower shall cause to be kept at its office listed in Section 7.7 a register for the registration and transfer of the Notes. The names and addresses of the holders of Notes, the transfer thereof and the names and addresses of the transferees of Notes shall be registered in the register. The person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement; and the Borrower shall not be affected by any notice or knowledge to the contrary.

6.2. Exchange of Notes. Upon surrender of any Note at the office of the Borrower listed in Section 7.7, the Borrower, at the request of the holder thereof, will execute and deliver, at the Borrower's expense (except as provided below), a reasonable number of new Notes in exchange therefor in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such person as such holder may request and shall be substantially in the form of the Note set out in Annex I to the Loan Agreement. Each such new Note shall be dated and bear interest from the date to which interest has been paid on the surrendered Note or dated the date of the surrendered Note if no interest has been paid thereon. The Borrower may require payment by the transferor of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer.

6.3. Replacement of Notes. Upon receipt by the Borrower of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of the Note is a company with admitted assets of at least \$50,000,000, its own agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancelation thereof,

the Borrower at its expense will execute and deliver in lieu thereof a new Note of like tenor, dated and bearing interest from the date to which interest has been paid on such lost, stolen, destroyed or mutilated Note or dated the date of

such lost, stolen, destroyed or mutilated Note if no interest has been paid thereon.

VII. MISCELLANEOUS

7.1. Recording. The Borrower, at its cost and expense, will (a) cause this Security Agreement, the Lease and the Lease Assignment, the Master Agreement and the Master Agreement Assignment, and any amendment of any thereof promptly to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forth in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada and (b) cause all necessary filings and recordings, and, when required, refilings and rerecordings of this Agreement, any assignments hereof and any amendments or supplements hereto and/or appropriate financing statements or continuation statements to be made, and from time to time when required refiled and rerecorded, in accordance with the applicable provisions of the Uniform Commercial Code of the State of New York (and, if the Borrower changes his chief place of business to a different state, in any such different state) and in any other jurisdiction where filing is reasonably requested by the Secured Party for the purpose of proper protection, to the satisfaction of counsel for the Secured party, of its security interest in the Elk Grove Partnership Interests or for the purpose of carrying out the intention of this Agreement. The Borrower will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Secured Party for the purpose of proper protection, to its satisfaction, of the Security Party's rights in the Units and in this Security Agreement, the Lease, the Lease Assignment, the Master Agreement and the Master Agreement Assignment; and the Borrower will promptly furnish to the Secured Party evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 7.1. The Borrower will promptly furnish to the Secured Party certificates or other evidence satisfactory to the Secured Party of any such filing, registering, depositing and recording.

7.2. Governing Law. This Security Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of New York.

7.3. Severability of Invalid Provisions. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.4. Counterpart Execution. This instrument and any amendment or supplement to this instrument may be executed in any number of counterparts and by the different parties hereto and thereto on separate counterparts, each of which, when so executed, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Fully executed sets of counterparts shall be delivered to, and retained by, the Borrower and the Secured Party.

7.5. Notices. Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day), if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Borrower, at 450 Park Avenue, New York, N.Y. 10022;

(b) if to the Secured Party, to the 18th Floor, 153 East 53rd Street, New York, N.Y. 10043. Attention of Rosalia Agresti, Assistant Vice President;

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

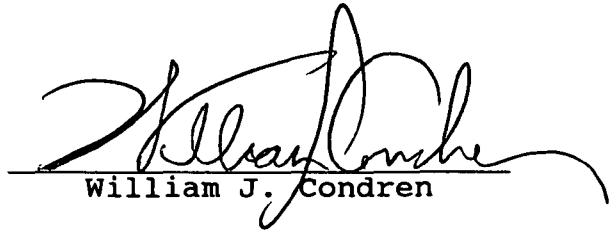
7.6. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments, in writing, executed by the parties hereto.

7.7. Release. The Secured Party shall, upon request of the Borrower, release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.8. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto. In the event that the Secured Party shall transfer all the outstanding Notes to another person, the Secured Party may assign, convey or transfer all its right, title and interest under this Security Agreement to such person, and such person shall be deemed to be the "Secured Party" under this Agreement and the "Assignee" under the Lease Assignment and the Master Agreement Assignment.


7.9. Headings. Any headings or captions preceding the text of the several Sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Borrower and the Secured Party have duly executed this Agreement as of the date first set forth above.


William J. Condren

CITIBANK, N.A.,

by


Title: Vice - Pres.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 10th day of November 1987, before me personally appeared WILLIAM J. CONDREN, to me personally known, who, being by me duly sworn, says that he executed the foregoing instrument for the consideration and purposes therein expressed.

Caryn W Sherman
Notary Public

[Notarial Seal]

My Commission expires CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires ~~March 30, 1988~~
Aug 31, 1988 CWS

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 10th day of November 1987, before me personally appeared Stephen J. Papish, to me personally known, who, being by me duly sworn, says that he is a Vice President of CITIBANK, N.A., that one of the seals affixed to the foregoing instrument is the seal of said National Banking Association and that said instrument was signed and sealed on behalf of said National Banking Association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said National Banking Association.

Caryn W Sherman
Notary Public

[Notarial Seal]

My Commission expires CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires ~~March 30, 1988~~
Aug 31, 1988 CWS

Schedule A
to
Security Agreement

EQUIPMENT SCHEDULE

<u>Number of Cars</u>	<u>Description</u>	<u>AAR Designation</u>	<u>Car Markings (inclusive)</u>
100	73-foot 100-ton Center Beam Thrall Flatcars	FBS	NOKL 8200-8299